

AMENDED IN ASSEMBLY JUNE 23, 2004

AMENDED IN SENATE MAY 4, 2004

AMENDED IN SENATE APRIL 16, 2004

SENATE BILL

No. 1524

Introduced by Senator Vincent

February 19, 2004

An act to amend ~~Section~~ *Sections 19852 and 19858* of the Business and Professions Code, relating to gambling.

LEGISLATIVE COUNSEL'S DIGEST

SB 1524, as amended, Vincent. Gambling Control Act.

(1) The Gambling Control Act provides for the licensure and regulation of various legalized gambling activities and establishments by the California Gambling Control Commission and the enforcement of those activities by the Division of Gambling Control within the Department of Justice. ~~Under that law,~~ *The act provides that an owner of a gambling enterprise that is not a natural person is not eligible for a state gambling license unless specified persons individually apply for and obtain a state gambling license. In this regard, the act requires that, if the owner is a corporation, each officer, director, and shareholder, other than a holding or intermediary company of the owner, obtain a gambling license.*

This bill would provide that the provisions regarding gambling licensure of corporate officers, directors, and shareholders, as described above, apply only to corporations that are not publicly traded. The bill would also provide that corporations that are publicly traded are not eligible for a gambling license, except as specified.

(2) *The Gambling Control Act provides that a person is deemed unsuitable to hold a state gambling license, a requirement for owning a gambling establishment, if that person, or any partner, officer, director, or shareholder of that person, has a financial interest in a business or organization engaged in any form of prohibited gambling, as specified. Publicly traded racing associations, qualified racing associations, and specified corporate licensees of these entities are exempt from that restriction.*

This bill would ~~delete~~ *revise that exemption and instead specify that the provision is not to be construed to authorize a publicly traded company to own an interest in a gambling establishment, except as specified a publicly traded racing association, a qualified racing association, or an officer, director, or shareholder thereof, as specified, is not unsuitable to be licensed, even though the entity or person has a financial interest in a business or organization that is lawfully engaged in a form of prohibited gambling, as specified, whether within or without this state.* The bill would also create an exception to the provision deeming a person unsuitable to hold a state gambling license, if the gambling activity was not illegal where *it was* conducted.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. *Section 19852 of the Business and Professions*
2 *Code is amended to read:*

3 19852. An owner of a gambling enterprise that is not a natural
4 person shall not be eligible for a state gambling license unless each
5 of the following persons individually applies for and obtains a state
6 gambling license:

7 (a) If the owner is a corporation *that is not publicly traded*, then
8 each officer, director, and shareholder, other than a holding or
9 intermediary company, of the owner. The foregoing does not apply
10 to an owner that is either a publicly traded racing association or a
11 qualified racing association.

12 (b) If the owner is a publicly traded racing association, then
13 each officer, director, and owner, other than an institutional
14 investor, of 5 percent or more of the outstanding shares of the
15 publicly traded corporation.



(c) If the owner is a qualified racing association, then each officer, director, and shareholder, other than an institutional investor, of the subsidiary corporation and any owner, other than an institutional investor, of 5 percent or more of the outstanding shares of the publicly traded corporation.

(d) If the owner is a partnership, then every general and limited partner of, and every trustee or person, other than a holding or intermediary company, having or acquiring a direct or beneficial interest in, that partnership owner.

(e) If the owner is a trust, then the trustee and, in the discretion of the commission, any beneficiary and the trustor of the trust.

(f) If the owner is a business organization other than a corporation, partnership, or trust, then all those persons as the commission may require, consistent with this chapter.

(g) Each person who receives, or is to receive, any percentage share of the revenue earned by the owner from gambling activities.

(h) Every employee, agent, guardian, personal representative, lender, or holder of indebtedness of the owner who, in the judgment of the commission, has the power to exercise a significant influence over the gambling operation.

(i) *Except as provided by this section, a corporation that is publicly traded is not eligible for a gambling license.*

SEC. 2. Section 19858 of the Business and Professions Code is amended to read:

19858. (a) ~~Except as provided in subdivision (b),~~ a person shall be deemed to be unsuitable to hold a state gambling license to own a gambling establishment if the person, or any partner, officer, director, or shareholder of the person, has any financial interest in any business or organization that is or has engaged in any form of gambling prohibited by Section 330 of the Penal Code, whether within or without this state, ~~which if the~~ gambling activity was illegal where it was conducted.

~~(b) This section may not be construed to authorize a publicly traded company to own any interest in a gambling establishment, except as provided in subdivision (b) of Section 19852.~~

(b) *A publicly traded racing association, a qualified racing association, or any person who is specified in subdivision (b) or (c) of Section 19852 is not unsuitable to be licensed, even though the entity or person has a financial interest in a business or organization that is lawfully engaged in a form of gambling*

- 1 *prohibited by Section 330 of the Penal Code, whether within or*
- 2 *without this state.*

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